



Department of Business Regulation

233 Richmond Street
Providence, RI 02903

Insurance Bulletin Number 2002-16

Use of Credit for Rating and Underwriting of Homeowners and Personal Motor Vehicle Insurance

The Rhode Island General Assembly has found that if insurance scoring is to continue to be allowed, it must be done in a fair and equitable manner for all Rhode Islanders. An “insurance score” as used in this Bulletin means a number or rating that is derived from an algorithm, computer application, model or other process that is based in whole or in part on credit history. Insurers are required to educate consumers as to the connection between credit history, insurance underwriting and loss experience. In addition, insurers should advise consumers on how to obtain a copy of his or her credit report as well as information on how a consumer can improve their insurance score. While the law does not require insurers to submit the educational tools utilized (i.e., pamphlets, brochures, etc.) to the Department, the Department reserves its right to review such material during a market conduct review or internal complaint handling process.

Pursuant to R.I. Gen. Laws §§ 27-6-53 and 27-9-56, which become effective on January 1, 2003, insurers may use insurance scoring for rating and underwriting of homeowners insurance and personal motor vehicle insurance only under the following conditions:

- (1) The insurer demonstrates the predictive nature of their insurance score to the insurance division.

Department note: Any insurer submitting a filing to the Department on or after January 1, 2003 must demonstrate the predictive nature of their insurance scoring process if credit is used by the insurer in the rating or underwriting process. The Department has updated the [Rate Procedural Information Form](#) to include the credit reporting requirements. All filings submitted to the Department **must** be accompanied by the updated Rhode Island Rate Filing General Informational and Procedural Forms.

- (2) An insurer shall, once every two (2) years if requested by an existing customer, obtain an updated insurance score for the customer. If, after obtaining the insurance score, the customer has improved his, her or its credit rating, the user of the information shall afford the customer any decrease in rates that are available due to the improved rating. The user may not increase the rate of an existing customer based solely on a worsening in the customer’s insurance score unless: (i) the worsening is due to a bankruptcy, tax lien, garnishment, foreclosure or judgment; or (ii) if a subsequent insurance score no sooner than six (6) months later confirms the worsening in score. Should an existing

customer's score change as the result of an updated credit report, the decrease or increase in rates must be done at renewal subject to conditions established herein.

Department note: The Department has concluded that the beginning date for updating insurance scores, if requested by an existing customer, would be two (2) years from the last insurance score obtained for the customer.

- (3) An insurer shall not decline insurance for a new customer based solely on an insurance score, or absence of an insurance score; and an insurer shall not cancel, or nonrenew or increase the rate of an existing customer based solely on a worsening in a customer's insurance score unless; (i) the worsening is due to a bankruptcy, tax lien, garnishment, foreclosure, or judgment; or (ii) if a subsequent insurance score no sooner than six (6) months later confirms the worsening in score. Should an existing customer's score change as the result of an updated credit report, the decrease or increase in rates must be done at renewal subject to conditions established herein.

Department note: The Department is in the process of amending Insurance Regulation 16 to incorporate the above conditions for cancellation and nonrenewal.

- (4) No insurer is obligated to obtain a current credit report or insurance score for an insured if: the insured is in the most favorably-priced tier of the insurer, within a group of affiliated insurers, or credit was not used for such insured when the policy was initially written. However, the insurer shall have the discretion to use credit for such insured upon renewal, if consistent with its underwriting guidelines. The insurer may not increase the rate of an existing customer based solely on a worsening in the customer's insurance score unless: (i) the worsening is due to bankruptcy, tax lien, garnishment, foreclosure or judgment; or (ii) if a subsequent insurance score no sooner than six (6) months later confirms the worsening in score. Should an existing customer's score change as the result of an updated credit report, the decrease or increase in rates must be done at renewal subject to conditions established herein.
- (5) If a credit bureau determines that disputed information is inaccurate or incorrect and that information was used in determining an insurance score which resulted in a denial, cancellation or nonrenewal of or higher premiums of less favorable policy terms for a consumer, the insurer shall, within thirty (30) days of receiving notice of correction, reissue or re-rate the policy by refunding the amount of the overpayment of premium based on the corrected insurance score retroactive to the shorter of the last twelve (12) months of coverage or the actual period of coverage. An "insurance score" as used in this section shall be defined as a number or rating that is derived from an algorithm, computer application, model or other process that is based in whole or in part on credit history.

Department note: The Department is in the process of amending Insurance Regulation 16 to incorporate the above conditions for cancellation and nonrenewal.

(6) Effective January 4, 2004: Notwithstanding the above, an insurer authorized to do business in Rhode Island that uses credit information to underwrite or rate risks, shall not use the following as a negative factor in any insurance scoring methodology or in reviewing credit information for the purpose of underwriting or rating a policy of personal insurance:

(1) Credit inquiries not initiated by the consumer or inquiries requested by the consumer for his or her own credit information;

(2) Inquiries relating to insurance coverage, if so identified on a consumer's credit report;

(3) Collection accounts with a medical industry code, if so identified on the consumer's credit report;

(4) Multiple lender inquiries, if coded by the consumer reporting agency on the consumer's credit report as being from the home mortgage industry and made within thirty (30) days of one another, unless only one inquiry is considered;

(5) Multiple lender inquiries, if coded by the consumer reporting agency on the consumer's credit report as being from the automobile lending industry and made within thirty (30) days of one another, unless only one inquiry is considered.

(d) No consumer reporting agency shall provide or sell data or lists that include any information that in whole or in part was submitted in conjunction with an insurance inquiry about a consumer's credit information or a request for a credit report or insurance score. Such information includes, but is not limited to, the expiration dates of an insurance policy or any other information that may identify time periods during which a consumer's insurance may expire and the terms and conditions of the consumer's insurance coverage.

(e) The restrictions provided in subsection (d) of this section do not apply to data or lists the consumer reporting agency supplies to the insurance [agent/producer] from whom information was received, the insurer on who's behalf such [agent/producer] acted, or such insurer's affiliates or holding companies.

(f) Nothing in this section shall be construed to restrict any insurer from being able to obtain a claims history report or a motor vehicle report.

In addition to the above requirements, R.I. Gen. Laws § 6-13.1-21 *et seq.* mandates certain disclosure requirements for the use of credit. Copies of insurance statutes are accessible at:
<http://www.rilin.state.ri.us/Statutes/Statutes.html>

Joseph Torti III
Associate Director and Superintendent of Insurance
March 31, 2005